

MidCon POWER SERVICES CORPORATION

ORDER No. EA-114

I. BACKGROUND

Exports of electric energy from the United States to a foreign country are regulated and require authorization under Section 202(e) of the Federal Power Act (FPA) (16 U.S.C. §824a(e)).

On May 21, 1996, MidCon Power Services Corporation (MPS) applied to the Office of Fossil Energy (FE) of the Department of Energy (DOE) for authorization to transmit electric energy to Canada. MPS is a power marketer which has been authorized by the Federal Energy Regulatory Commission (FERC) to make sales of electric power at wholesale in interstate commerce, at negotiated rates. MPS buys and sells electric energy for its own account; it does not own or control any electric generating or transmission facilities, nor does it have a franchised service area.

MPS proposes to purchase surplus electric energy from electric utilities in the United States and to export this energy on its own behalf to Canadian entities. The energy to be exported would be delivered to Canada over the international electric transmission facilities owned and operated by the New York Power Authority (NYPA) and Niagara Mohawk Power Corporation (NMPC).

Notice of this application appeared in the Federal Register on June 5, 1996, (61 FR 28571) requesting that comments, protests, and petitions to intervene be submitted to DOE by July 5, 1996. None were received.

II. ANALYSIS

The electric power industry is vastly different today than it was in 1935 (enactment of the Federal Power Act), especially with the recent introduction of power marketers. The passage of the Energy Policy Act of 1992, the signing of the North American Free Trade Agreement in 1993, and the issuance of FERC Order 888 have all promoted increased competition in energy markets in general, and the electric power market in particular. The interpretation and implementation of the statutory and regulatory requirements governing exports of electricity should be consistent with and account for these changes in the evolving electricity marketplace.

The authority requested of DOE by MPS under section 202(e) of the FPA is a necessary condition for exporting. However, even with this grant of authority, MPS must still make the necessary commercial arrangements and obtain any and all other regulatory approvals which may

be required in order to effect the export, including obtaining all necessary transmission access required to wheel the exported energy to the foreign purchaser. In order to obtain sufficient transmission access to wheel the electricity to the border, MPS must come to terms with the affected transmission systems and obtain any necessary regulatory approvals. In considering MPS's request, the transmission systems would have to assess the reliability impacts of moving the export through their systems and, presumably, would only agree to provide service under terms and conditions that would not cause reliability problems on their own systems.

DOE never has applied the information filing requirements contained in its regulations in a rigid manner. Each application for authorization to export has unique commercial and/or technical issues which make rigid filing requirements impractical. However, the one constant component of an electricity export authorization is DOE's finding that the proposed export will not impair the sufficiency of electric supply within the U.S. and that it will not impede the coordinated use of regional transmission facilities. To this end, DOE has always used a flexible approach in determining the information necessary to evaluate the reliability impacts for a specific proposal to export. In addition to empirical studies and computer simulations, DOE has relied upon established industry guidelines, operating procedures and/or infrastructure as evidence that sufficient safeguards exist to maintain electric system reliability.

DOE's "typical" reliability finding includes sufficiency of supply and regional coordination. Sufficiency of supply compares the total generating resources (including purchased power) to the peak demand the exporter may be called upon to supply. Regional transmission coordination is addressed through the use of power flow, transient stability and/or reactive compensation studies. These studies are used to insure that the export will not cause the regional power supply system to exceed established operating criteria (voltage, loading, frequency variations, etc.) under both normal and contingency conditions. In granting export authority to power marketers, DOE has broadened the approach it always has taken. DOE always has predicated its reliability analyses for "traditional" entities (e.g., electric utility companies and power pools) on the assumption that the exported energy would be supplied from system power; i.e., provided from the exporting system's total supply resources, without associating the exported energy with any particular component of those resources. In fact, the total supply resources of traditional applicants usually includes power purchased from other systems or regions. DOE believes it is neither possible nor appropriate to look behind an export and consider the reliability impacts of delivering power purchased from other sources onto the exporter's system.

Electricity marketers put together a power portfolio by purchasing various power products from a host of power suppliers. Because a marketer does not own any physical system to which these products may be delivered, DOE does not have the same starting point for its reliability analysis that it would in the case of the more traditional exporter. However, all exports by marketers do have identifiable delivery points: the transmission systems contiguous with the border. Once the exported energy arrives at one of these border systems, the impact on reliability would be similar to that for exports which are supplied from the system power of that border system. DOE believes that the technical analyses used to support the issuance of electricity export authorizations to border utilities are sound and that DOE need not perform additional

reliability assessments as long as the maximum rate of transmission for all exports through a border system does not exceed the previously authorized export limit.

This approach is applicable only for exports by marketers over international transmission facilities for which export authorizations have been issued and for which reliability studies have been performed. However, several of the international transmission lines over which MPS seeks export authority are owned and operated by the New York Power Authority (NYPA). As an instrumentality of the State of New York, NYPA is non-jurisdictional to section 202(e) of the FPA. Consequently, DOE has never issued NYPA an export authorization which could be used to limit exports by MPS and for which a reliability assessment has been prepared. In lieu of the reliability analyses which would have been performed for an export authorization by NYPA, DOE is utilizing the information contained in the report entitled, "Load & Capacity Data, 1995 Report of the Member Electric Systems of the New York Power Pool." This report is prepared and filed with the New York Public Service Commission pursuant to section 6-106 of the Energy Law of New York State. It will be made part of the record in this proceeding and included in the public docket. Section IX of this report lists the transmission transfer capabilities between the New York Power Pool (NYPP)¹ and surrounding electric systems, including Hydro-Quebec and Ontario Hydro. Since all of the major transmission interconnections between NYPP and Ontario Hydro are operated in parallel, it is appropriate to consider a single export limit for this "electrically logical" grouping of lines. Accordingly, the transfer capability between NYPP and Ontario Hydro (as identified in Section IX of the above report) has been used in the ordering language to limit exports by MPS over all international transmission lines connecting the U.S. with Ontario Hydro. A separate limit has been assigned for exports over NYPA's 765-kV tie with Hydro-Quebec because of the asynchronous nature of that interconnection.

In its application, MPS requested authority to export over the following electric transmission facilities owned by NMPC. Because of the voltage class and nature of these lines, DOE does not consider these lines suitable for the transactions envisioned by MPS. Consequently, MPS has not been granted export authority over these facilities.

<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u>
Hogansburg, NY	4.8-kV	PP-13
Ft. Covington, NY	13.2-kV	PP-28
Buffalo, NY	2-38-kV	PP-31
	4-12-kV	PP-31

III. FINDING AND DECISION

¹ New York Power Pool is an association of NYPA and the seven major investor-owned electric utilities in New York State. NYPP dispatches power throughout New York State on a single-system basis and coordinates the development and operation of its members' production and transmission facilities.

Because MPS has no native load obligations usually associated with a franchised service area, and because the electric power purchased by MPS for export to Canada would be surplus to the needs of those entities selling the power to MPS, DOE finds that such exports by MPS would not impair the sufficiency of electric supply within the United States. Furthermore, based on the above discussion and analysis, DOE finds that the proposed export, as conditioned and limited herein, would not impede or tend to impede the coordinated use of regional transmission facilities within the meaning of section 202(e) of the FPA.

DOE also has assessed the potential environmental impacts associated with the authorizing of the proposed export and has determined that this action is among those classes of actions not normally requiring preparation of an environmental assessment or an environmental impact statement and, therefore, is eligible for categorical exclusion under Appendix B to Subpart D, paragraph B4.2 of the revised DOE Regulations implementing the National Environmental Policy Act of 1969. Documentation of the use of this categorical exclusion has been placed in this docket.

IV. ORDER

Based on the above finding, it is hereby ordered that MPS is authorized to export electric energy to Canada under the following terms and conditions:

(A) The electric energy exported by MPS pursuant to this Order may be delivered to Canada only over the following existing international transmission facilities for which assessments of the transmission limits for operation in the export mode have been made:

<u>Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u>
New York Power Authority	Massena, NY	765-kV	PP-56 ²
	Massena, NY	2-230-kV	PP-25
	Niagara Falls, NY	2-345-kV	PP-74
	Devils Hole, NY	230-kV	PP-30 ³
Niagara Mohawk Power Corp.	Devils Hole, NY	230-kV	PP-31 ⁴

(B) Exports authorized herein shall not cause a violation of the terms and conditions contained in existing electricity export authorizations associated with the international transmission facilities identified in paragraph (A) above. Specifically:

²The Presidential permit identified by DOE as PP-56 was issued by the FPC in Docket E-8414.

³The Presidential permit identified by DOE as PP-30 was issued by the FPC in Docket E-6798.

⁴The Presidential permit identified by DOE as PP-31 was issued by the FPC in Docket E-6797.

(1) Exports by MPS made pursuant to this Order shall not cause the total exports on the facilities authorized by Presidential Permits PP-25, PP-30, PP-31 and PP-74 to exceed a combined instantaneous transmission rate of 550 MW.

(2) Exports by MPS made pursuant to this Order shall not cause the total exports on the facilities authorized by Presidential Permit PP-56 to exceed an instantaneous transmission rate of 1000 MW.

(C) Any request for changes to the exports limits in subparagraphs B(1) and B(2) above will be considered by DOE after submission by MPS of appropriate information demonstrating a change in the transmission transfer capability between New York Power Pool and Ontario Hydro and Hydro-Quebec.

(D) MPS may commence exports only over those international transmission lines identified in paragraph B for which MPS provides DOE written evidence that sufficient transmission service has been obtained for delivery of the exported energy to the border.

(E) In scheduling the delivery of electricity exports to Canada, MPS shall comply with all reliability criteria, standards, and guides of the North American Electric Reliability Council and Regional Councils, on such terms as expressed therein, and as such criteria, standards, and guides may be amended from time to time.

(F) MPS shall conduct all operations pursuant to the authorization hereby granted in accordance with the provisions of the Federal Power Act and pertinent rules, regulations, and orders adopted or issued by DOE.

(G) The authorization herein granted may be modified from time to time or terminated by further order of DOE, but in no event shall such authorization extend beyond the date of termination or expiration of the Presidential permits referred to in Paragraph (A) above.

(H) This authorization shall be effective for a period of two years from the date of this Order. Within six months prior to the expiration of this authorization, MPS may reapply for renewal of this two-year authorization or request a period of time longer than the two-year period.

(I) This authorization shall be without prejudice to the authority of any State or State regulatory commission for the exercise of any lawful authority vested in such State or State regulatory commission.

(J) MPS shall make and preserve full and complete records with respect to the electric energy exported to Canada. MPS shall furnish quarterly reports to DOE, within 30 days following each calendar quarter, showing the gross amount of electricity delivered and the consideration received during each month of the previous quarter, and the maximum hourly rate of transmission.

(K) Exports authorized herein shall be reduced or suspended, as appropriate, whenever a continuation of those exports would impair or tend to impair the reliability of the U.S. electric power supply system.

Issued in Washington, D.C., on July 15, 1996.

Anthony J. Como
Director
Office of Coal & Electricity
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